IPTI Xtracts

Property Tax and Assessment News from Around the World

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New Zealand Takes Aim at Speculators to Prevent Housing Bubble

- Ardern government to scrap key tax incentive for investors
- Measures may have 'chilling effect on investor demand'

New Zealand's government took aim at property speculators with a suite of new measures to tackle runaway house prices and prevent the formation of a "dangerous" bubble.

The government will remove tax incentives for investors to make speculation less lucrative and unlock more land to increase housing supply, Prime Minister Jacinda Ardern said Tuesday in Wellington. The moves come as surging house prices keep first-time buyers and people on lower incomes out of the market, raising concerns about growing societal inequality.

"The last thing home owners need right now is a dangerous housing bubble, but a number of indicators point towards that risk," Ardern told a news conference. "Property investors are now the biggest share of buyers, with the highest amount of purchases on record. Last year, 15,000 people bought homes who already owned five or more."

New Zealand's success in battling Covid-19 has seen its economy recover sooner than many others, putting it at the forefront of a global property boom as ultra-loose monetary policies encourage investment in higher-yielding assets. House prices surged 21.5% in the year through February and investors accounted for more than 40% of purchases that month, a record high.

To dissuade speculation, the government will phase out the ability of investors to claim mortgage interest as a tax-deductible expense. It will extend of the period in which profits on the sale of investment property are taxed to 10 years from five.

'Chilling Effect'

The changes “will significantly reduce the financial incentives to invest in housing” and have “a chilling effect on investor demand,” said Satish Ranchhod, senior economist at Westpac Banking Corp. in Auckland. “Today’s announcements indicate significant downside risk for house prices and economic activity more generally.”

The New Zealand dollar fell on the news and bought 71.20 U.S. cents at 1.26 p.m. in Wellington, down from 71.70 cents beforehand. Swap rates and bond yields also declined as traders speculated the central bank will be able to keep interest rates at a record low for longer.

The package is the latest salvo in Ardern’s assault on the booming property market, which is undermining her efforts to reduce inequality. Prices are soaring at double-digit rates around the country, taking the national median to NZ$780,000 ($556,000). In Auckland, the median price has reached NZ$1.1 million, making it the fourth least affordable city in the world, according to Demographia.

Last month, Finance Minister Grant Robertson announced changes that he said will require the Reserve Bank to pay more attention to the property market when setting monetary and financial policy. He also asked the RBNZ to consider restrictions on interest-only mortgages and the introduction of debt-to-income ratios for investors. The bank is due to report back in May.

Robertson said today that New Zealand’s housing market has become the least affordable in the OECD and it was “essential the government takes steps to curb rampant speculation.”

Bright Line

He said extending to 10 years the so-called “bright-line” test -- effectively a capital gains tax on investment property sales -- and removing interest deductibility for investors “will dampen speculative demand and tilt the balance towards first home buyers.”

The new bright-line test will apply to properties bought from March 27. The time horizon for new builds will remain at five years to encourage supply.

From Oct. 1, investors won’t be able to deduct mortgage interest as an expense on properties acquired from March 27. For existing property owners, mortgage interest deductibility will be phased out over the coming four years so that it can’t be claimed at all by the 2025-26 tax year. New builds are expected to be exempted from this change.

The government is trying to curb housing demand while also increasing supply, which has been constrained by a raft of factors including planning rules and high construction costs. It said today it will establish a NZ$3.8 billion fund to unlock more land for housing development, and also make first home grants available to more people.

“The housing crisis is a problem decades in the making that will take time to turn around, but these measures will make a difference,” Ardern said. “There is no silver bullet, but combined all of these measures will start to make a difference.”

NZ kills tax loophole on property to slow soaring house prices

New Zealand will axe a tax benefit to property investors as it seeks to stop out-of-control house price growth across the nation that has pushed up values almost 25 per cent in Auckland alone over the past 12 months.

As part of a suite of measures the Ardern government says is aimed at keeping New Zealand houses affordable for first-time buyers, it will axe the ability of property investors to claim mortgage interest as a tax deduction against rental income.

The system is similar to Australia's negative gearing although here, investors are able to claim a tax deduction for mortgage interest against all their sources of income. Critics have claimed negative gearing has contributed to high house prices as property owners have lost tens of billions of dollars this decade alone.

House prices across New Zealand have soared over the past 12 months, even exceeding what has transpired in the Australian property market over the same period.

According to the Real Estate Institute of NZ, the median house price in Auckland has soared by 24.3 per cent to $NZ1.1 million ($1 million). Across the rest of the nation, the median house price has increased by 19.1 per cent to $665,000 ($616,000).

Prime Minister Jacinda Ardern said the package would increase housing supply and remove incentives for speculators, ultimately delivering a more sustainable housing market. "This is a package of both urgent and long-term measures that will increase housing supply, relieve pressure on the market and make it easier for first-home buyers," she said.

"The housing crisis is a problem decades in the making that will take time to turn around, but these measures will make a difference."

The axing of interest deductibility will apply to all investment properties other than new builds purchased on or before March 27. Over the next four years, deductibility will be removed for all existing investment properties.

Outside of the tax change, the government is setting up a $3.8 billion ($3.5 billion) infrastructure fund to accelerate housing supply. First home grants and loans will be expanded with higher income and house price caps.

The package is on top of last month's decision by the Ardern government to direct the NZ Reserve Bank to take into account house price sustainability when making financial stability decisions.

The bank has signalled it will use its macroprudential tools such as loan-to-value ratios, capital requirements for certain types of mortgage lending and bank stress testing to "moderate" housing demand, especially from investors.

Deputy PM and Finance Minister Grant Robertson said the recent increase in house prices was not only harmful to affordability but also a risk to economic stability.

"The New Zealand housing market has become the least affordable in the OECD. Taking action is in everyone's interests as continuing to allow unsustainable house price growth could lead to a negative hit to the whole economy," he said.

Economists for Kiwibank said in a note to clients that most of the changes were in the right direction.

They noted the $NZ3.8 billion infrastructure fund was a positive step but was only a "drop in a leaky bucket".

"The tweaks to demand should take some heat off the market. But house price growth is still expected to remain in double-digit territory by the end of the 2021, eroding some of the changes made today to help first home buyers," they said.

'Can you help me?' The quiet desperation of New Zealand's housing crisis

With prices soaring, many fear they will never be able to buy. Others will try anything as the crisis threatens to define a generation

On finding herself shut out of the property market, Nicole Thorburn looked for a side door.

At 29, Thorburn had been living with her parents for seven years to save for a deposit on her first home in Thames, a small town on the Coromandel Peninsula south-east of Auckland – but the pandemic has sent already buoyant prices skyrocketing.

In December, the average house value in the Thames-Coromandel district was over $800,000. “There was just nothing on the market that was even in the ballpark,” she says.

Thorburn decided to try a long shot. She designed flyers in baby pink and navy blue, introducing herself as an aspiring homeowner beneath hand-drawn hearts and a banner: “Can you help me buy my first home?”

Thorburn had only distributed about a dozen flyers, on community noticeboards and through letterboxes, when she heard from a woman in her wider acquaintance who wanted to sell privately. And so she was given a hand up on to the property ladder, just as it was receding from reach.

Stories like this one, of unexpected windfalls and mysterious benefactors, get shared around widely among aspiring homeowners in New Zealand – both as potential strategies, and reasons to persevere despite overwhelming odds.

But Thorburn is adamant: far from a resourceful millennial, outsmarting the market – “for me, it was entirely just good luck,” she says.

She likens her flyer success to a lottery draw: you have to buy a ticket to be in with a chance, but it is no strategy. “I definitely tell other people to try it, but it was completely down to all these factors lining up … It felt like a win at the time, but it’s kind of sad that it has to come to that.”

A crisis dividing generations

New Zealand’s 10-year housing crisis has worsened dramatically since the pandemic, with ultra-low interest rates and a faster-than-anticipated economic recovery compounding pre-existing issues of affordability and supply.

In Auckland and Wellington, the median price is now $1,100,000 – for the capital city, a 35% increase on year. But even small towns are feeling the heat. Last month, the national median house price rose by nearly 23% on year to $780,000.

Bindi Norwell, chief executive of the Real Estate Institute New Zealand (REINZ), says there are fewer houses on the market, selling for higher sums – fuelling investors’ fears of missing out, and ironically driving prices higher.

The zeal for real estate has created a catch-22 where you need property to get property, lifting first homes out of reach even for those people (on high incomes, in couples, receiving parental help, looking to buy outside of cities) for whom it would have previously been possible.

Last month housing affordability in New Zealand, as determined by the average price to household income ratio, was found to have reached its worst point in at least 17 years. The crisis is already dividing generations, and risks defining them.

Many people have given up hope of ever being able to buy. Others are prepared to try anything that might give them an edge.

Wellington is experiencing a housing squeeze

The overheated market is driving people to try “more ‘creative’ means to buying property,” says Norwell. “For some it’s writing letters … to pull at the heart strings, for others it’s going door to door and trying to reach the owner directly, or reaching out to agents to see properties before they’re even listed for sale.”

This tends to be more common in areas where the housing shortage is especially acute, such as Wellington, Hawke’s Bay and Manawatu – but there have been anecdotal reports of it from all over the country, says Norwell.

“Much of it seems to be born out of pure frustration, with not enough housing to meet demand and … missing out on properties.”

Luke, a 29-year-old Wellingtonian, has a sizeable deposit saved as well as mortgage pre-approval, amounting to a budget of about $1m – but even those “relatively exceptional” circumstances has not made up for the lack of suitable properties on the market, he says.

In search of a central home that is neither earthquake-prone nor leaky, Luke has resorted to “basically internet sleuthing”: contacting the owners of townhouses and apartments to inquire about their potential willingness to sell, so far without success.

“It’s this real feeling of hoping for a miracle … You hear these stories of light filtering through the cracks, and you’re like, ‘Maybe it will be me as well’ – but it’s not the case.”

Nicki Cruickshank, an agent with Thommy’s Real Estate in Wellington, says some tactics verge on predatory. She has heard of would-be buyers searching the streets for skip bins, house painters and other telltale signs of a looming sale, hoping to strike before it is listed.

“Obviously, when it’s so competitive, everyone is trying to get in the back door,” says Cruickshank. But with houses routinely selling for tens, even hundreds of thousands above their market value – “you’d be mad to sell privately.”

In sales by tender, more than half the offers are typically accompanied by a heartfelt letter and sometimes family photos in the hopes of it trumping a higher sum, says Cruickshank.

She had only once seen it make an impact, when the seller chose a first-time buyer over a property developer – but, Cruickshank adds, there was only $1000 between them. “That’s nothing in the big picture, when it was a $1m sale. The letters are nice … but ultimately it comes down to the highest offer.”

With such a slim chance of success, these attempts to sneak an advantage or appeal to sellers’ common humanity are less a strategy than a Hail Mary: testament to buyers’ desperation and the widening, and seemingly unbridgeable, gap between the haves and have-nots.

Rachel received 20 letters, all handwritten, with offers on her house in Wellington last year. She could not bring herself to read them all, she says: “It was actually too sad … about how they’d been looking for a long time for a house and tried and tried, and just wanted to enter the market.”

Worried by increasing inequality in New Zealand, Rachel says she had wanted to make an "ethical" decision: she would never have sold to a developer, for instance. Even so – the gap between the lowest offer she received, and the highest, was about $300,000.

"We got a really good price, beyond what we were expecting, just because of the nature of the market – but I actually felt really guilty, like I couldn't really celebrate," she says. "Yes, it was good for us, but I was like: my kids are never going to be able to buy a house … It's intergenerational theft, essentially."

'People are desperate'

The future repercussions of the housing crisis, if left unchecked, could certainly be huge. Renting in older age has been found to be related to economic disadvantage, and poorer mental and physical health. The higher rates of renting among Māori and Pacific people and older women leaves these groups particularly vulnerable.

But with home ownership now at its lowest rate in nearly 70 years, many of the consequences are already at hand. Unaffordable housing was singled out as a factor in New Zealand's birthrate dropping to its lowest-ever level last month; it has also long been linked to persistently high poverty.

"This is not just young New Zealanders," says Luke. His father, a self-employed carpenter, also does not own his own home, meaning rising prices in Wellington threaten his financial stability and decades-long tie to the city.

"The property crisis has implications right across the generation spectrum," says Luke. "… Under the current model, a lot of people are losing out and a select few are winning."

Perhaps as a result, concerns are mounting.

The Ipsos New Zealand Issues Monitor, released this week, found that housing was thought to be the most important issue facing the country by far, with 60% of New Zealanders ranking it number one – the most ever. The question is whether they are prepared to put themselves at a disadvantage to address it.

The majority of voters (and policymakers) own their homes and so support prices rising, meaning there has been little political will to act. It is telling that prime minister, Jacinda Ardern, said last November, that prices "cannot keep increasing" – then stood by as they did just that.

The government tends to downplay its ability to influence housing supply and demand in New Zealand – but the property bubble has now ballooned to a point where even owner-occupiers are in danger of being priced out, while the associated rise in private debt poses a risk to the national economy.

The International Monetary Fund warned last week that price rises were unsustainable and – with a tightening of credit standards, or sharp rise in mortgage rates – "could trigger an eventual, pronounced correction".

The Reserve Bank of New Zealand has already reinstated loan-to-value (LVR) restrictions on mortgages, while housing minister Megan Woods has said that the government is reviewing how to dampen speculative demand. An announcement expected by the end of this month.

What is needed is more housing. A planned reform of the Resource Management Act may help to unlock supply in years to come, but the government has not yet made moves to make up for walking away from its 2018 election promise to build 100,000 first homes.

But even a "comprehensive policy response" addressing supply and demand, as recommended by the IMF, may not be enough to tackle the crisis when housing is so central to the national psyche.

Home ownership is a cultural value in New Zealand, integral to its self-image as a stable and egalitarian society; while the view of property investment as a route to individual wealth is an underpinning of the economy.

Even apartment living is still widely seen as second-rate to the traditional quarter-acre section. The result is that long-term renting, or other paths to financial security, have not been meaningfully developed. For example, rented homes are more likely to be smaller, older and in need of major repair than owned homes, and less likely to have double glazing.

It means the increasing numbers who cannot afford to buy are backed into a corner.

"It still is very much the New Zealand dream," says Kim Tairi, a 55-year-old crafter and librarian. Born in Invercargill, she moved to Auckland from Melbourne five years ago and has been looking to buy in the region of $800,000. "I'm a very happy renter – but I've got money sitting in the bank."

But Tairi's options, as she sees them, are to borrow more than she will be able to ever pay off – or buy what she can afford, at the expense of her quality of life. Even the shabbiest apartment in her building recently sold for $800,000. "I don't think it's worth it."

She has already seen others upend their lives, even moving to the opposite end of the country, simply for a shot at their first home: "People are desperate."

Even in the short time she has been looking at the market, Tairi – of Ngāti Korokī Kahukura iwi – has noticed the impact on her mood. "For the first time, I felt really resentful … My family had so much land, we were really wealthy – and it was all confiscated by settlers!"

Yet six months ago, home ownership had not been on her radar, says Tairi: "It's really hard to switch off now."

It reflects the national obsession with housing – what you can afford to buy, what you are prepared to give up to do so – being as much a part of the problem as structural shortages. The first step towards solving New Zealand's crisis of home ownership may be accepting that it will not be possible for everyone, and providing alternatives.

Even Thorburn, a rare success story, says she felt like she had "no back-up plan" to home ownership. "The system's not really set up to support people renting into their 30s, 40s, 50s. There's this feeling of failure, almost, if you can't save up your deposit and get a house – but there's no support.

"There isn't really another thing you can put your money into as an investment for your future, for your retirement. There's no backstop, almost."

If prices do not fall soon, says Tairi, the government needs to prioritise tenant rights and other approaches to housing, such as long-term leases and co-operative models. "People who are already in the market can buy, they can flip their houses and go onto something else. But so many of us will never get there.

"People will still want to own a house, because that's the way they feel most secure, but there should be other options for people who don't have that opportunity."

For now, Tairi has decided to give herself a break from the market. It was focusing her mind on what she was lacking, she says: "I have a nice life now, I can afford my rent, I live in the place I want to live in."

But she did leave the door slightly ajar. The other day, Tairi saw her neighbours from across the hall, moving out of their apartment. "I said, if you're thinking of selling – keep me in mind."

Million dollar dumps: Auckland's derelict properties worth millions of dollars

Property demand continues to outstrip supply, driving record median prices even higher. In Auckland - where the average house price is over $1m - there's a jarring number of empty derelicts.

New Zealand is in a housing crisis. Around the country, the demand for property continues to outstrip supply, driving record median prices even higher. In the city worst affected - where an average house price of over $1m has seen it ranked the fourth least-affordable city in the world - some sit empty and unmaintained. Caroline Williams reports on some of Auckland's mysterious million dollar dumps.

Nestled in a row of grand, architecturally-designed properties on an idyllic Northcote street overlooking the Waitematā Harbour and Auckland cityscape, is what appears to be a jungle.

But behind a Sylvan Ave garden so overgrown, that from the street it's hard to tell a house is even there, is a three-bedroom property valued at $1.73m.

A neighbour, who did not want to be named so as not to upset the owner, describes it as "a prime piece of real estate" that's been overgrown for years. The last residents thought to be students, in 2013.

The house sits on a 1045 square metre plot of land, just 400m from the northern motorway and minutes from the CBD.

Another neighbour, who also didn't want to be named due to fears of upsetting her neighbour, has lived in the street for 40 years. She told Stuff she had heard of people who were interested in buying the property, but it remained unsold and unkempt.

Inside, it's not clear what state the house is actually in. Neighbours say they aren't overly concerned given it's completely hidden from street view by the jungle.

Attempts to contact the owner, who could be based overseas, were unsuccessful.

Auckland Council only gets involved with derelict and overgrown properties if they pose a "health nuisance" to neighbouring properties. For example, giving rise to breeding pests or vermin which may carry disease.

In such a situation, council would work with the owner to try and resolve the problem first. Failing that, it could issue a breach notice for the Property Maintenance and Nuisance Bylaw.

As a last resort, the council can prosecute an owner, however, that is rare.

"If a building is abandoned and members of the public are gaining access we can also use the bylaw to compel the owner to secure the property," Auckland Council's Mark Parkinson said.

The Sylvan Ave property is one of several in Auckland which has its neighbours feeling mystified.

Across the bridge in Westmere, there's a property left derelict for so long, it's become something of an attraction for curious locals. Neighbours are curious, particularly given its central location and eye-watering estimated market value of $3.14m.

The house sits on a 942 square metre plot of land on William Denny Ave and was built by architect Barton Gillespie in the 1950s, according to architectural history website Lost Property. Public records show it now belongs to his son, Robert.

The property once boasted full-length windows, on both the top and bottom storeys. However, the space where the glass panes once were is now filled by the banana palms and vines which once grew around them, but have now taken over.

A neighbour, who didn't want to be named, told Stuff there was some "spectacular" graffiti inside the house, however she would never go inside, thinking it could be dangerous.

A neighbour thought the inside was graffitied. She didn't mind that the building had been left to rot, but feared it could be a fire hazard and had asked children to leave the property on multiple occasions.

In 2013, Robert Gillespie reportedly told the New Zealand Herald he had hoped to add another level to the building, giving it a 360 degree view of the city and the harbour. But he said vandalism had made the project difficult.

But another neighbour, who also didn't want to be identified, said the house was "trashed to the point where there's nothing else to trash" and didn't believe the remaining structure could be built upon.

He said many people had enquired about the property, joking that if he had a dollar for every time someone asked, he'd be able to buy it himself.

Peter Townsend, who lives on the other side of the street, said the property had been vacant and derelict since he moved into the neighbourhood in the mid 1990's.

An architect, Townsend said it's been allowed to go to waste.

"I think it's a real shame that a piece of mid-century modernism has been left. It's beyond saving now, you'd just put a bulldozer through it."

He wasn't concerned the property's state would negatively affect his own property's value, adding that it probably added to the fascination people had with the area.

"They go 'oh, that's the street with that old house'."

Robert Gillespie did not respond to Stuff's request for an interview.

Real Estate Institute of New Zealand chief executive Bindi Norwell said that with the current market, run-down and derelict properties were unlikely to have a significant impact on surrounding homes and the wider neighbourhood.

Property inventories were down 24.2 per cent compared to the same time last year, which meant buyers were more likely to consider buying houses to do them up, or demolishing to replace with multiple new homes.

"The fear of missing out on a house knowing that the price is likely to increase in the next few months is very real in buyers' minds."

Norwell added the old real estate adage of "location, location, location" continued to be relevant.

"Land that is close to the central city or has a good view is always going to retain its value – no matter what the dwelling on the land looks like."

A rusted and crumbling van sits on the driveway of a Grey Lynn property, but the owners appear to continue to pay for someone to mow the lawns.

The rusty van, which is thought to have sat on the Sackville St driveway for over 30 years, is one of the reasons resident of six years John Glass loves the area so much.

“It’s quite rumpty and I like it,” he said – he didn’t mind it had been left to perish as it added “character” to the area.

Rusty van aside, and what appears to be more derelict cars in the back garden, the property has a market value of $1.93m.

Rashmi Chhiba, whose mother owns the property, said it had been in her family since the late 1960s and it had been the family home.

It has been empty for a year. Her mother had been living there, but she is no longer independent.

The cars on the property – including the rusty van – belonged to Chhiba’s late brother. The property is yet to be cleaned up as her other brother was finding it hard to deal with, she said.

“It’s not an abandoned property as such, there are a few family things going on that doesn't allow it to be dealt with at present.”

Residents spoken to on the street spoken to by Stuff, many of whom are renters or living with flatmates, were also curious about it.

James Burt, who has been renting on the street for three years, had observed the property’s lawns being mown on a regular basis by people who appeared professional in hi-vis vests, which he thought suggested people were being paid to do it.

“But I’ve never seen anyone walk in there [and] never seen anyone walk out of there.”

Another neighbour who has owned her home for over 30 years, said the rusting van had always been there.

She had met the family before, but hadn’t seen them for “a while”.

“They used to be far more visible in the street as a family,” she said, adding they were “really nice” and that it was their “family place”.

“It’s a bit of a mystery.”

A third neighbour, who didn’t want to be named because she works in real estate, said it was unlikely the owners had willingly let the property decline.

She didn’t mind its state of the property, but felt upset about those who did complain because they had chosen to live in the neighbourhood.

Dilapidated tennis court nets $2.21 million at auction

There’s a mix of modern and original homes on Northcote’s Ocean View Rd, but there’s one unusual plot of land – featuring a dilapidated tennis court – that’s set to be built on for the very first time.

That’s after it went under the hammer and netted $2.21m at auction on Wednesday.

Michelle Russell said her father, Raymond Russell bought the neighbouring plot of land for £120 in 1950, when he was earning seven shillings and a sixpence per week.

The house Raymond and his foster father built on the land was the first to be built on that side of the street, Michelle said.

About five years later, he also purchased the 1012 square metre site next door and converted it into a tennis court. It soon became the “neighbourhood hub”, where “all the kids” would come to play tennis and four square and ride on their bikes.

It was bought for £500. But just sold for a massive $2.2m.

Russell’s most treasured memory was when her parents and younger brother, Grant, would play tennis after dinner each night during summer.

It was the happy memories Russell had to remind her parents of when she urged them not to sell the property following Grant’s death in 1975, when he was hit by a drunk driver slightly up the road from the family home.

“Mum and dad just wanted to pack up and leave. They obviously had all these traumatic memories.”

Russell was having the property maintained by a gardener, however it eventually became overgrown with bush and bramble.

“It was getting too much for me.”

On Boxing Day, Russell decided made the decision to sell the tennis court, paying $22,000 for contractors to clear out “the jungle” and get it listed for sale.

“I’m sad, but I know that it’s time.”

It was the first time the property had ever been on the market.

“I just thought with the current housing shortage and people coming into New Zealand and whatnot, I’m not going to be losing a house or anything. It will give someone the opportunity to put something nice on there.”

Wes Willis, who has lived on the street for 22 years, said it was good to see the land put to use, possibly for two new homes.

“It’s sitting there doing nothing, and it’s worth quite a bit of money.”

He wasn’t concerned about the prospect of new houses being built on the land, so long as they didn’t disturb his view of the Waitematā, which he didn’t believe would happen.

Malcolm Skilton, who has lived on the street with his wife Pauline for 40 years, said they were part of the “older identities around the place”, adding that their sons had played on the tennis court as children.

“It’s a sign of the times,” he said.

Taranaki house prices keep rising and rising

Taranaki house prices set new records during February, fuelled by demand and a lack of listings.

The region's median sale price jumped from $420,000 in January last year to $520,000 this year – a 23.8 per cent rise, and that record price was unchanged in February, Real Estate Institute of New Zealand (REINZ) data shows.

New Plymouth District hit $600,000, South Taranaki District was at $397,000 and Stratford District reached $460,000, all record median highs for February.

Low interest rates, high demand and a shortage of listings is still driving prices up, the region's REINZ ambassador Garry Malcolm said.

Home buyers were competing with buyers from outside the region, including investors, he said.

"Post Covid we have seen a total restructure of demand for housing in New Zealand, everyone has re-evaluated their lifestyle, and we have a lot of expats coming home, that's put demand on."

The boom in property prices has been unstoppable since May 2020 when the country came out of lockdown. The surge was unexpected.

House sales in Taranaki all but stopped in April last year with lockdown reducing sales to just 27 homes and many were picking the pandemic would result in prices stagnating for at least the rest of the year.

Instead house sales across all price levels boomed with so many punters turning up for some open homes that estate agents often stopped holding them, restricting viewings to appointment only.

Seventeen of the sales reported for February this year were the Kiwibuild homes in Marfell, and the month's figures include eight houses in New Plymouth and Bell Block that sold for over a million dollars.

Because the REINZ figures used median prices rather than averages, these top end sales push the figures up, Malcolm said.

Taranaki also had the fastest Days To Sale in the country at 21 days, down from 25 in February 2020.

Across the region, agents were slowing the sales process to give first home buyers a better chance, Malcolm said.

"We have had houses selling in three days or a week of listing, but what agents are doing now is taking that process through, giving people time to do their due diligence and get their finance lined up, as previously, first home buyers were getting gazumped by unconditional offers.

"It's up to the vendor if they want to wait, but many are at least taking it through to the first open home and calling in offers the following week, so more buyers get to see it and the vendor gets the best price."

House sale numbers in Taranaki increased by 31.4 per cent from 153 in February 2020 to 201 in February 2021.

A new high on the REINZ House Price Index saw the value of the region's house market increase by more than 20.4 per cent since the same time last year.

Property listings were well down on normal for the time of year, Malcolm said.

"There are 300 properties for sale in Taranaki at the moment, there used to be 700, that's significant."

Wellington City Council sticking to its guns despite calls to borrow more

Wellington City Council is sticking to its guns over its proposed borrowing cap despite growing calls for it to spend more in the face of mounting infrastructure costs.

The council is proposing to lift its self-imposed debt cap by 50 per cent from July, as it looks to fund major infrastructure costs, including a $2.7 billion water infrastructure bill, a one-third share in the $6.4b Let's Get Wellington Moving (LGWM) transport programme, and a $179 million central library rebuild.

Chief financial officer Sara Hay said the council would increase borrowing by 84 per cent within five years, from $708m to $1.3b.

But several commentators want the council to go even further in a period of historically low interest rates and cheap money for local bodies.

Councils borrow almost all of their money through the Local Government Funding Agency, which temporarily increased its debt limits for councils from 250 per cent of revenue to 300 per cent for the next two years, dropping to 280 per cent by 2026.

Wellington City Council has subsequently proposed to increase its cap from 175 per cent to between 223 and 234 per cent over the next six years.

Brad Olsen, senior economist at Wellington-based consultancy firm Infometrics, said there was scope to borrow even more given interest rates were currently as low as about 1 per cent.

"We know that borrowing costs at present are likely to be the lowest they will ever be. There is certainly reason to be more permissive of higher debt for a period," he said.

Olsen believed the council would likely be comfortable borrowing up to 250 per cent, while still leaving room for unexpected events like an earthquake or worsening infrastructure deficit, as well as non-budgeted costs.

"It's still raining. Sometimes in Wellington, it's raining poo."

His comments echo those of economic commentator Bernard Hickey, who said "out-of-date and arbitrary rules" were stopping councils from addressing their massive housing affordability and climate change crises.

Infrastructure Commission chairman Alan Bollard also said recently local councils were largely to blame for the country's infrastructure deficit, with the average debt-to-revenue ratio among the 30 councils with the highest credit ratings just 80 per cent as of June.

Wellington was eighth on the list, with a ratio of 127 per cent.

But Mayor Andy Foster said people who thought the council was being too conservative were "completely barking up the wrong tree".

"A higher level [of debt] would be appropriate if we didn't have lots of other things that we were expecting to have to pay for."

Those things included new roads and pipes, the $400m housing deficit, and the remainder of LGWM funding. Just $220m has been budgeted for that project in the next 10 years, but the council's share will ultimately be about $1.3b.

The council's capital programme had increased from $2.3b in its 2018-2028 long-term plan, to $3.4b in its current one, Foster said.

Hay said if a council came too close to the debt ceiling it was placed on a watch-list, monitored monthly, and had financial statements and long-term plans reviewed.

Calls to raise the borrowing cap also failed to acknowledge critical factors, including the council's current position and plans, and what the debt would be used for, she said.